

MICHIGAN ECONOMIC INDICATORS

A monthly newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



United States

- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 1.4% in the first quarter of 2003, the same rate of growth as in the fourth quarter of 2002. The continued slow growth during the first quarter reflected below-average growth in personal consumption expenditures, and reduced investment spending. Nonresidential investment spending declined 4.4%, more than wiping out the 2.3% gain reported in the fourth quarter of 2002 and marking the ninth quarter out of the last 10 that nonresidential investment has declined. Decreases in spending on national defense and by state and local governments reduced the government's contribution to growth in the first quarter to nearly zero.
- The **unemployment rate** increased from 6.1% in May to 6.4% in June, the highest unemployment rate since April 1994. The increase in unemployment occurred despite a 251,000-job increase in employment. The number of unemployed individuals grew by 360,000 between May and June and was 889,000, or 10.5%, above the level one year ago.
- **Capacity utilization** remained flat in May, with average plant capacity being utilized 74.3%. Capacity utilization was still 1.1% below the level one year ago and remained at the lowest level since 1983. The communications equipment manufacturing sector reported operating at nearly 50% of capacity, while a number of sectors, such as computer and electronic products manufacturing, aerospace equipment manufacturing, and apparel and leather goods manufacturing, were operating at about 60% of capacity.



Michigan

- **Michigan wage and salary employment** increased by 48,000 jobs from April to May, but was 26,000 jobs below the level one year ago. Compared with May 2002, manufacturing employment was down by 23,000 jobs, while professional/business services and leisure/hospitality service employment were each 12,000 jobs lower. Government employment was 10,000 jobs higher because increases in local government employment more than offset significant declines in State government employment.
- **Michigan average weekly earnings** continued to increase in most sectors in May, despite average weekly hours' remaining flat or declining from year-ago levels. Some sectors, such as financial activities and motor vehicle manufacturing, reported average weekly earnings more than 11.0% above the level one year ago.
- **Tax revenue** from Michigan's 12 major taxes totaled \$1,186.5 million in May and was 11.7% below revenues a year ago. Declines occurred in virtually every major tax, including income tax withholding (4.0% below last year), sales tax (6.0% below last year), single business tax (21.8% below last year), and use tax (15.6% below last year). These declines were exacerbated by higher income tax refunds, which were 29.2% above year-ago levels. However, the lower revenues mostly reflected the timing of monthly tax collections rather than economic circumstances.

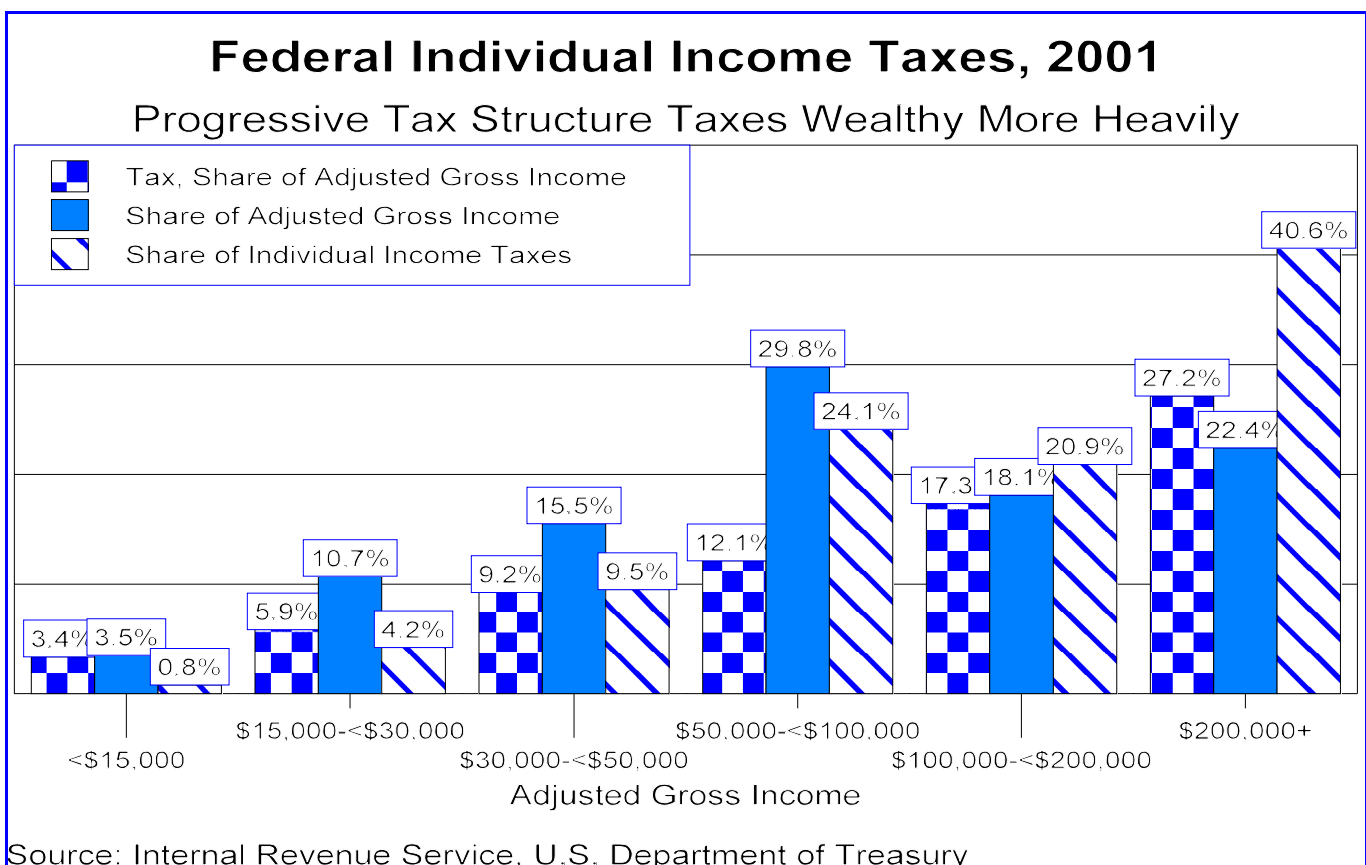


MAY 2003

Prepared by:
David Zin
Economist

U.S. & MICHIGAN LABOR MARKET NEWS (Seasonally Adjusted, Thousands)							
U.S.	June 2003	May 2003	June 2002	Change From May		Change From Year Ago	
				Number	Percent	Number	Percent
Labor Force	147,096	146,485	144,852	611	0.4%	2,244	1.5%
Employment	137,738	137,487	136,383	251	0.2	1,355	1.0
Unemployment	9,358	8,998	8,469	360	4.0	889	10.5
Unemployment Rate	6.4%	6.1%	5.8%	---	---	---	---
Michigan	May 2003	Apr. 2002	May 2002	Change From Apr.		Change From Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,112	5,061	5,014	51	1.0%	98	2.0%
Employment	4,767	4,727	4,703	40	0.9	65	1.4
Unemployment	345	334	312	11	3.2	33	10.6
Unemployment Rate	6.7%	6.6%	6.2%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor



**MICHIGAN WAGE AND SALARY EMPLOYMENT
(Seasonally Adjusted, Thousands)**

	May 2003*	Apr. 2002	May 2002	Change from Apr.		Change from Yr Ago	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,455	4,408	4,481	48	1%	(26)	(1)%
Goods Producing Industries	941	934	970	7	1	(29)	(3)
Natural Resources & Mining	8	7	9	1	11	(1)	(9)
Construction	196	193	201	3	1	(5)	(2)
Manufacturing	737	734	761	4	1	(23)	(3)
Transportation Equipment	284	283	292	1	0	(9)	(3)
Service Producing Industries	3,514	3,474	3,511	40	1	3	0
Trade, Transportation & Utilities	836	830	839	7	1	(3)	(0)
Information	76	75	75	1	1	1	1
Financial Activities	220	219	215	1	0	5	2
Professional & Business Services	585	575	597	10	2	(12)	(2)
Education & Health Services	544	542	532	2	0	12	2
Leisure & Hospitality Services	385	376	397	9	2	(12)	(3)
Other Services	178	173	175	5	3	3	1
Government	691	684	682	7	1	10	1

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

**MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS
(Not Adjusted For Seasonal Variations)**

Industry	Average Weekly Hours			Average Weekly Earnings		
	May 2002	Year Ago	Percent Change	May 2003	Year Ago	Percent Change
Natural Resources, Mining & Construction	38.8	39.6	(2.0)%	\$846.23	\$841.10	0.6%
Manufacturing	42.4	42.9	(1.2)	893.79	869.15	2.8
Durable Goods	43.3	43.6	(0.7)	976.42	942.20	3.6
Motor Vehicle Manufacturing	45.4	43.5	4.4	1,359.28	1,223.66	11.1
Motor Vehicle Parts Manufacturing	44.2	45.8	(3.5)	1,135.94	1,149.12	(1.1)
Nondurable Goods	38.8	39.9	(2.8)	553.68	555.81	(0.4)
Wholesale Trade	35.5	38.2	(7.1)	636.87	689.13	(7.6)
Retail Trade	29.1	29.0	0.3	322.72	326.54	(1.2)
General Merchandise Stores	25.9	25.7	0.8	234.91	231.81	1.3
Grocery Stores	28.3	28.3	0.0	293.19	283.57	3.4
Information	31.7	32.8	(3.4)	510.37	492.00	3.7
Financial Activities	36.3	35.6	2.0	573.18	514.78	11.3
Professional & Business Services	34.5	35.5	(2.8)	570.63	567.29	0.6
Health Care & Social Assistance	33.5	32.4	3.4	544.38	511.60	6.4
Leisure & Hospitality	22.8	23.0	(0.9)	188.10	182.39	3.1
Auto. Repair & Maintenance	36.3	37.4	(2.9)	532.16	557.63	(4.6)
Personal & Laundry Services	28.7	27.4	4.7	397.50	403.33	(1.4)

Source: U.S. Department of Labor, Bureau of Labor Statistics

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

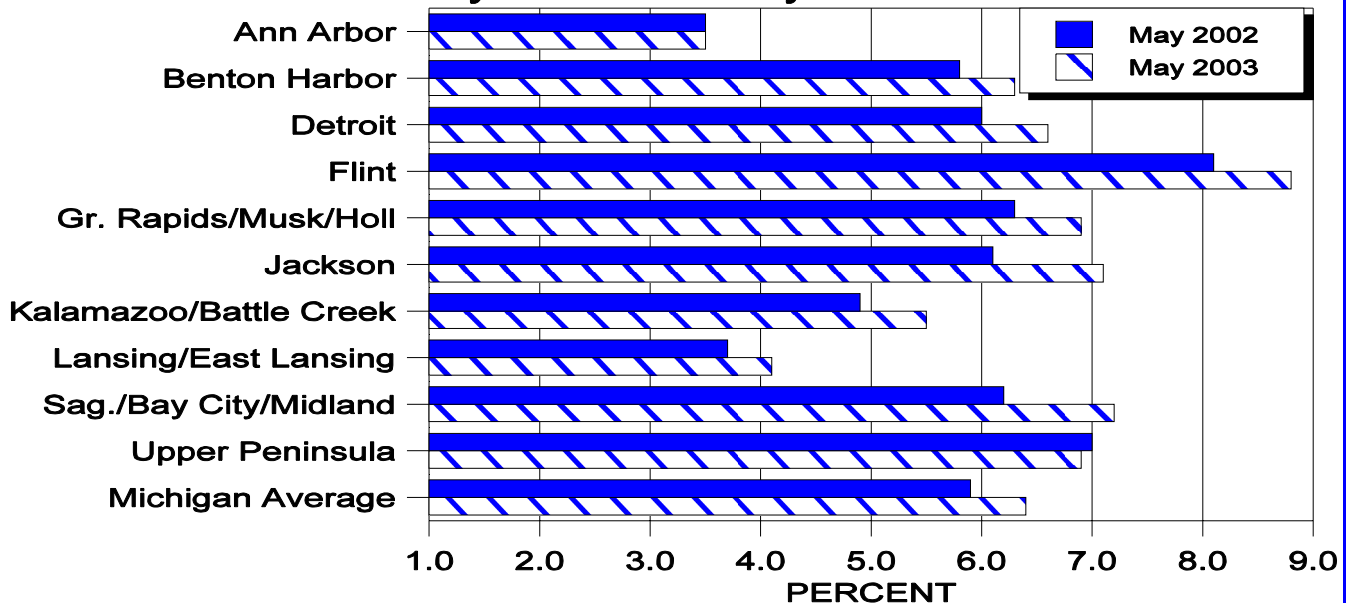
	May 2003	Apr. 2003	Mar. 2003	May 2002
Metropolitan Statistical Areas				
Ann Arbor	3.5%	3.7%	4.3%	3.5%
Benton Harbor	6.3	5.8	6.9	5.8
Detroit	6.6	6.4	7.2	6.0
Flint	8.8	8.4	9.7	8.1
Grand Rapids	6.9	7.3	7.6	6.3
Jackson	7.1	7.1	8.1	6.1
Kalamazoo-Battle Creek	5.5	5.3	6.2	4.9
Lansing-East Lansing	4.1	4.0	4.7	3.7
Saginaw-Bay City-Midland	7.2	7.2	8.5	6.2
Multi-County Areas				
Northeast Lower Michigan	8.1	10.5	13.3	7.8
Northwest Lower Michigan	6.8	7.9	9.4	6.4
Upper Peninsula	6.9	8.0	9.2	7.0
Michigan Statewide Average				
--Unadjusted (comparable to figures shown above)	6.4%	6.5%	7.4%	5.9%

Source: Michigan Department of Career Development - Employment Service Agency

* Preliminary

Michigan Regional Unemployment Rates

May 2002 and May 2003



Source: Michigan Department of Career Development - Employment Service Agency

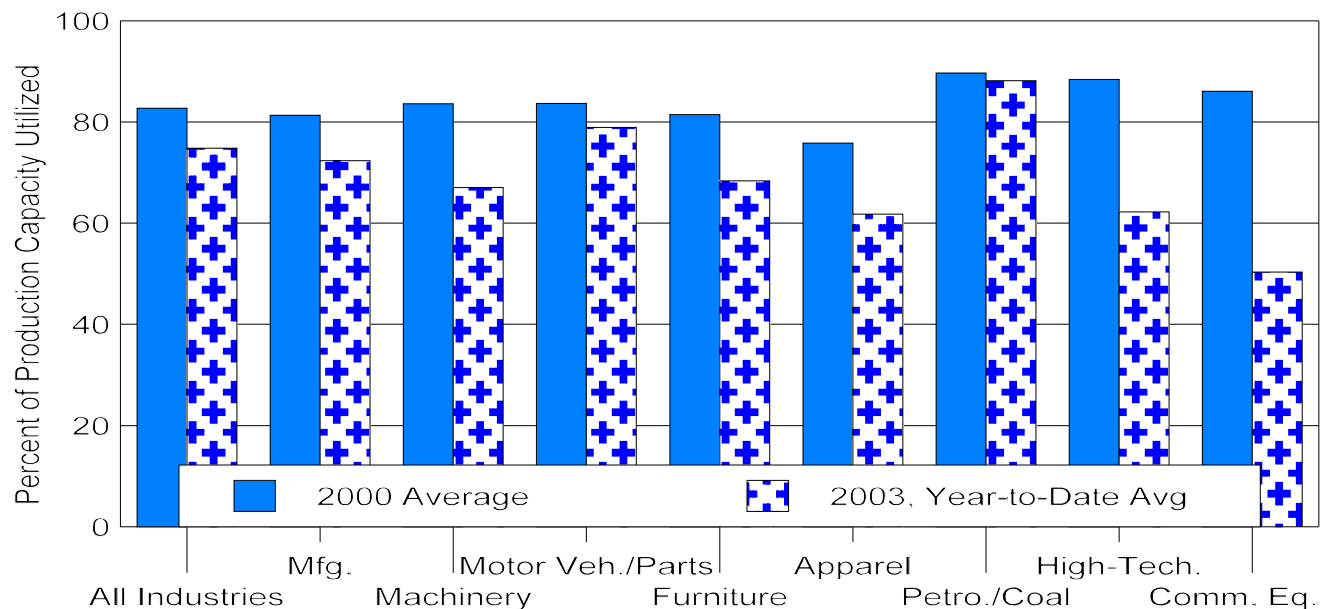
MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)

	May 2003	Apr. 2003	Mar. 2003	Feb. 2003	Year Ago May	<u>Percent Change From:</u>	
						May/Apr.	May 2003/ May 2002
Motor Vehicle Sales^{1,2)}							
Autos	7,262	7,518	7,735	7,333	7,779	(3.4)%	(6.6)%
Domestics	5,270	5,428	5,534	5,177	5,651	(2.9)	(6.7)
Imports	1,992	2,090	2,201	2,156	2,128	(4.7)	(6.4)
Import Share	27.4%	27.8%	28.5%	29.4%	27.4%	—	—
Light Trucks	8,743	8,838	8,334	8,013	7,790	(1.1)	12.2
Domestics	7,541	7,571	7,008	6,891	6,835	(0.4)	10.3
Imports	1,202	1,267	1,326	1,122	955	(5.1)	25.9
Import Share	13.7%	14.3%	15.9%	14.0%	12.3%	—	—
Heavy Trucks	390	382	363	383	409	2.1	(4.6)
Total	16,395	16,738	16,432	15,729	15,978	(2.0)	2.6
U.S. Motor Vehicle Production^{1,2)}							
Autos	4,192	4,150	4,340	4,534	5,062	1.0	(17.2)
Michigan Motor Vehicle Production^{2,3)}							
Autos	1,592	1,592	1,442	1,459	1,865	0.0	(14.6)
Trucks	1,132	1,095	1,063	1,184	1,071	3.3	5.6
Total	2,724	2,687	2,505	2,643	2,936	1.4	(7.2)
Michigan Production as % of U.S.	23.6%	21.7%	23.3%	22.5%	23.9%	—	—
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,706	1,725	1,772	1,829	1,579	(1.1)	8.1
Days Supply	62	68	64	73	53	(8.8)	17.0
Total Truck	2,250	2,241	2,253	2,116	1,778	0.4	26.5
Days Supply	73	79	79	82	63	(7.6)	15.9

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates.

3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

Unused Production Capacity Present in Most Sectors
Substantial Declines Since 2000 in Most Sectors



Source: Federal Reserve Board of Governors

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Change From:	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	May	121.5	119.7	121.8	1.5%	(0.2)%
Coincident Index ¹⁾ (1992=100)	May	136.9	136.9	135.8	0.0	0.8
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	May	1,732	1,632	1,752	6.1	(1.1)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	May	\$279.3	\$279.5	\$266.1	(0.1)	4.9
Industrial Production Index ³⁾ (1992=100) (seasonally adjusted)	May	109.6	109.4	110.4	0.1	(0.8)
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	May	74.3	74.3	75.7	0.0	(1.8)
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	May	183.3	183.3	179.5	0.0	2.1
Detroit (not seasonally adjusted)	May	182.2	182.4	179.0	(0.7)	1.8
Interest Rates						
3-month Treasury Bill ³⁾	May	1.08%	1.14%	1.74%	---	---
Corporate Aaa Bonds ³⁾	May	5.22%	5.74%	6.75%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 1996 \$, SAAR, chain-weighted)	2003 1 st Qtr.	\$9,552.0	\$9,518.2	\$9,363.2	1.4	2.0
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	May 2003	\$1,186.5	\$1,697.4	\$1,344.4	NM	(11.7)

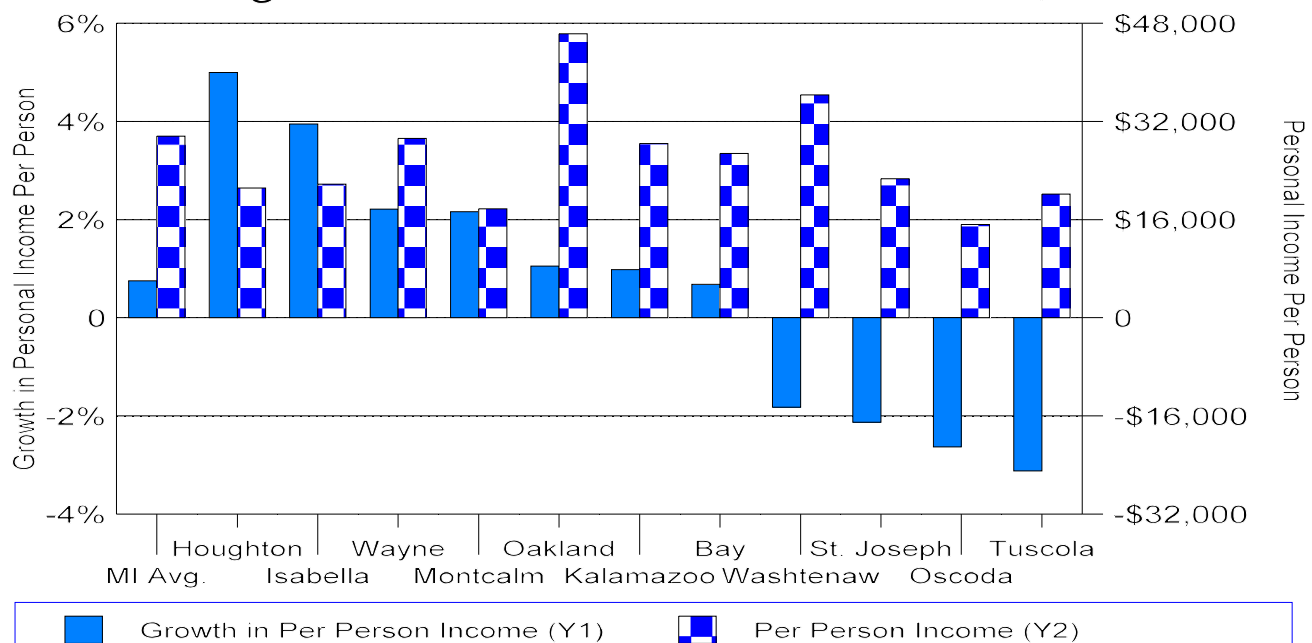
SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census 3) Board of Governors of the Federal Reserve System 4) U.S. Department of Labor, Bureau of Labor Statistics 5) U.S. Department of Commerce, Bureau of Economic Analysis 6) Michigan Department of Treasury and the Senate Fiscal Agency.

Michigan Personal Income Per Person, 2001



Source: Bureau of Economic Analysis, U.S. Dept. Of Commerce